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Remarks to the Road Gang

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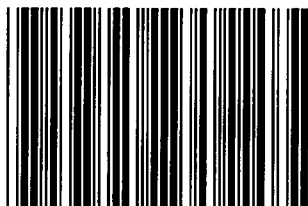

_____**Transportation**

(select subject from controlled vocabulary, if your office has one)

_____**Remarks to the Road Gang**

_____**03/11/1993**

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-8175

REMARKS OF SENATOR MAX BAUCUS TO THE ROAD GANG MARCH 11, 1993

Good afternoon. I'm pleased to be with you to discuss our common concerns about the state of this nation's infrastructure.

I think that for all of us, it is gratifying that transportation is being talked about in the media and elsewhere. It actually became a principal campaign issue, something few of us would have ever expected.

Of course, those of you here have known for years that you can't have a first class economy without a first class transportation system. The problem was, the Road Gang was a lonely gang.

In 1991, under the leadership of Senators Moynihan, Burdick, Chafee and Symms, my Committee began the development of the most significant transportation legislation in over 35 years. The landmark Intermodal Surface Transportation Efficiency Act, or ISTEA, was the product of these efforts.

ISTEA is a comprehensive bill. It recognizes the critical link between transportation planning and environmental quality. And it also recognizes the diversity of this country by maintaining the balance needed between rural and urban areas.

With this in mind, I would like to make two very important points to you this afternoon. First, fully funding ISTEA throughout the remaining authorization period is of paramount importance. It's a step that has my full support.

And second, we also need to address the issue of the gas tax and the current diversion of this revenue towards deficit reduction.

Condition of Nation's infrastructure

For too long, we have ignored our surface transportation needs. We see the results of this neglect everyday. The January DOT needs report points out that we would have to invest over \$50 billion a year just to maintain current conditions. Forty-five percent of this nation's bridges are deficient or obsolete and 65 percent of our roads and highways need repair.

[more]

We are not keeping pace with our competitors. Japan, for instance, invests almost 23 times more on its roads, bridges, airports, and rail systems than the U.S., and Germany invests 15 times as much.

When it comes to infrastructure investment, we are dead last among our principal economic competitors. Incredibly, we are 55th among all countries in per capita infrastructure spending. This is an alarming trend.

We must begin to reverse this downward spiral and invest in our physical resources. If we choose not to, it will seriously threaten our economic foundation and continue to hamper our abilities to compete in the global marketplace.

Clinton supplemental and investment package

The election of Bill Clinton has finally placed infrastructure on everyone's radar screen, elevating its profile to the national scene. As you know, the President has proposed an economic investment package that calls for \$2.97 billion to fully fund the highway programs in ISTEA.

This is a positive first step. But let's not focus just on the short-term effects, but the program's long-term benefits as well. Fully funding the highway program for FY'93 is not just a quick fix, but a downpayment for expanded infrastructure spending in the future.

I am encouraged that the Clinton economic package proposes to fully fund ISTEA for the remaining authorization period, as well as FY'93.

As you know, the economic package is facing some stiff opposition. If you want to see this additional investment become a reality, you are going to have to get involved. You, and your colleagues around the country, need to add your voices of support.

Fully funding ISTEA is more than just a quick measure to stimulate the economy. It is an investment. It is a question of creating much needed jobs and economic activity far into the future.

The supplemental is a welcome step, as is the President's proposal to expand the program for the future. I expect Congress will approve this program quickly, before the Easter recess.

However, attempts to reopen the debate on issues resolved during the consideration of ISTEA will slow down this effort and prove to be counterproductive.

I realize that not all states are happy with the funding formulas, but trying to revise them in the supplemental could mean that none of this additional money will go out to the states. If we want to reintroduce gridlock to Congress, I can guarantee you this will do it.

[more]

In fact, Secretary Pena has made it clear that he would oppose any attempts to use the supplemental as a vehicle to change the ISTEA formulas, calling this a "political trap".

Recapture of gas tax

Which brings me to my second point, the diversion of the gas tax. Of the 14.1 cents of the federal gas tax, 2 1/2 cents is currently applied towards deficit reduction. This 2 1/2 cents is set to expire on September 30, 1995.

The Administration has proposed an extension of this 2 1/2 cents and plans to transfer this revenue back into the Highway Account of the Trust Fund. I am pleased that the Administration has recognized the inequity of the current situation.

Afterall, the gas tax is a user fee. Surveys show that people are willing to pay the federal gas tax if they feel the revenue will be used to improve their infrastructure. So, as many have stated before, it is high time that we return the trust to the trust fund. With the enactment of ISTEA, Congress made a commitment to the states. It's time we live up to that commitment. One way to do this would be to recapture this 2 1/2 cents before the proposed date of FY'96.

Why do I feel we need to do this? For a number of reasons. By recapturing this revenue before FY'96, the Trust Fund will be able sustain the higher levels of spending called for in ISTEA. Thus, we will have the ability to fully fund ISTEA in the remaining authorization period. As you know, it is difficult for the States to plan efficiently for the future if they cannot anticipate a steady level of funding each year.

Returning the 2 1/2 cents to the Trust Fund before FY'96 will also allow for a healthy balance in the Highway Account. Better yet, the Congressional Budget Office projects that my proposal would prevent the Byrd Amendment from being triggered during the ISTEA authorization period.

As many of you know, the Byrd Amendment calls for a reduction in spending for those years when outstanding commitments exceed the next two years projected revenues.

If we choose to wait until FY'96 to recapture this 2 1/2 cents, there are a number of potential problems. CBO's recent projections indicate that we could trigger the Byrd Amendment during FY'97 -- assuming the full funding of ISTEA. Also, the cash balance in the Trust Fund will fall below \$3 billion. Any banker will tell you that a balance of \$3 billion in a program that at any one time may have \$30 billion in commitments is not a fiscally sound situation.

[more]

There is also the potential for a negative cash balance in the Trust Fund at the end of FY'97, which happens to be the end of the ISTEA authorization. A negative cash balance creates a larger problem for future policy decisions. The potential for a negative balance will also hamper any efforts to expand the surface transportation program in the coming years.

So to recap my remarks, Congress needs to ensure the full funding of ISTEA, now and in the future. And one step towards this goal would be to increase the balance in the Trust Fund by recapturing that portion of the gas tax that now is used for deficit reduction. These two important steps will return the stability to this program that I believe is absolutely necessary.

Conclusion

Finally, let me say that you have been important allies in the struggle to make infrastructure a priority. As Chairman, I want to expand on this partnership and look forward to working with you in the future.